HOUSE OF COMMONS

First Session—Twenty-fourth Parliament

1958

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

Bill S-6—An Act respecting Trans Mountain Oil Pipe Line Company

TUESDAY, AUGUST 5, 1958
THURSDAY, AUGUST 7, 1958

WITNESSES:

Mr. E. J. Broome, M.P., Sponsor of the Bill; Mr. J. A. Renwick, Parliamentary Agent; Mr. D. M. Morrison, President, Trans Mountain Oil Pipe Line Company and Mr. E. C. Hurd, Administrative Manager; Mr. J. H. McQuarrie, Secretary; Mr. R. F. B. Taylor, Treasurer; Mr. I. G. Wahn, Director and General Counsel; and Mr. J. E. Langdon, Vice-President, McLeod, Young, Weir and Company.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

61435-4—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,

and Messrs.

Allmark,
Asselin,
Badanai,
Baldwin,
Baskin,
Batten,
Bigg,
Bourbonnais,
Brassard (*Chicoutimi*),
Brassard (*Lapointe*),
Bruchési,
Brunsden,
Campbell (*Stormont*),
Chevrier,
Chown,
Creaghan,
Crouse,
Drysdale,
Dupuis,
English,
*Fisher,
Garland,
Grills,
Hales,
Hardie,
Horner (*Acadia*),
Horner (*Jasper-Edson*),
Howard,
Howe,
Johnson,
Keays,
Kennedy,
LaRue,
MacEwan,
MacInnis,
Martini,
McBain,
McDonald (*Hamilton South*),
McMillan,
McPhillips,
Michaud,
Monteith (*Verdun*),
Nielsen,
Nixon,
Pascoe,
Payne,
Phillips,
Racine,
Rouleau,
Rynard,
Smallwood ,
Smith (*Calgary South*),
Smith (*Simcoe North*),
Tassé,
Taylor,
Thompson,
Tucker,
Webster,
Wratten—60.

J. E. O'Connor,
Clerk of the Committee.

*Replaced on Wednesday, July 30, 1958 by Mr. Regier.

ORDERS OF REFERENCE

TUESDAY, July 22, 1958.

Ordered,—That the Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, July 30, 1958.

Ordered,—That the name of Mr. Regier be substituted for that of Mr. Fisher on the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, August 6, 1958.

Ordered,—That Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company, be re-committed to the Standing Committee on Railways, Canals and Telegraph Lines.

LEON J. RAYMOND,
Clerk of the House.

61435-4—1½

REPORTS TO THE HOUSE

TUESDAY, August 7, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

SEVENTH REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

Respectfully submitted.

G. K. FRASER,
Chairman.

THURSDAY, August 7, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

EIGHTH REPORT

Pursuant to an Order of the House dated August 6, 1958, your Committee has reconsidered the following Bill and has agreed to report it without amendment:

Bill No. S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

A copy of the Minutes of Proceedings and Evidence is appended.

Respectfully submitted.

G. K. FRASER
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, August 5, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:05 a.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Allmark, Badanai, Bigg, Bourbonnais, Brassard (*Chicoutimi*), Drysdale, Fraser, Hales, Horner (*Jasper-Edson*), Horner (*Acadia*), Howard, Keays, Martini, McBain, McDonald (*Hamilton South*), Nixon, Payne, Regier, Rynard, Smith (*Calgary South*), Tasse and Tucker.—(22)

In attendance: Messrs. E. J. Broome, M. P., Sponsor of the Bill; J. A. Renwick, Parliamentary Agent for the Bill; from Trans Mountain Oil Pipe Line Company: I. G. Wahn, Director and General Counsel; D. M. Morrison, President; E. C. Hurd, Administration Manager; J. H. McQuarrie, Secretary; R. F. B. Taylor, Treasurer; J. E. Langdon, Vice-President of McLeod, Young, Weir & Company Limited (Underwriters).

Mr. Howard raised a point of order to the effect that the Committee, during its proceedings of Tuesday, July 29th, indicated by a vote that Clause 1 of Bill S-6, An act respecting Trans Mountain Oil Pipe Line Company should not carry, and that without unanimous consent the Committee had no right to proceed further.

Following discussion the Chairman ruled against the point of order.

Mr. Howard then indicated that he wished to appeal the Chairman's ruling to the House. However, the Chairman stated that this was an improper procedure.

Rising on a question of privilege Mr. Regier mentioned that there appeared to be some conflict between the Minutes of Proceedings and the evidence taken at the meeting of Tuesday July 29th. The Chairman stated that the Minutes of Proceedings are the official record.

Subsequently Messrs. Howard and Regier withdrew on the grounds that they could not participate in further consideration of the bill.

The Chairman then called Clause 1 and intrduced Mr. Broome, the Bill's sponsor.

Following a statement by Mr. Broome, Mr. Renwick, Parliamentary Agent for the Bill, introduced Messrs. Wahn and Langdon.

Messrs. Wahn, Langdon and McQuarrie were called upon to explain certain aspects of the Company's activities and were questioned.

Following further discussion, Clause 1, the Title and the Bill were adopted and the Chairman instructed to report the Bill to the House without amendment.

At 11.55 a.m. the Committee adjourned to the call of the chair.

THURSDAY, August 7, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:00 a.m. this day. The Chairman, Mr. G. K. Fraser, presided.

Members present: Messrs. Badanai, Batten, Bourbonnais, Brassard (*Chicoutimi*), Creaghan, Crouse, Drysdale, English, Fraser, Hales, Howard, McDonald (*Hamilton South*), McPhillips, Nixon, Pascoe, Payne, Rynard, Smith (*Calgary South*), Thompson, Tucker, and Wratten.—(21)

In attendance: Messrs. E. J. Broome, M. P., Sponsor of the Bill; I. G. Wahn, Director and General Counsel, Trans Mountain Oil Pipe Line Company; J. E. Langdon, Vice-President, McLeod, Young, Weir and Company (Underwriters); J. H. McQuarrie, Secretary, Trans Mountain Oil Pipe Line Company.

The Chairman observed the presence of quorum and called for reconsideration of Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

On motion of Mr. Creaghan, seconded by Mr. Tucker,

Resolved,—That the Preamble of the Bill stand and that the Committee proceed with the consideration of Clause 1.

Following discussion, Clause 1 was adopted on the following recorded division: *Yeas:* Messrs. Badanai, Bourbonnais, Brassard (*Chicoutimi*), Creaghan, Crouse, Drysdale, Fraser, Hales, Howe, McDonald (*Hamilton South*), McPhillips, Nixon, Pascoe, Payne, Smith (*Calgary South*), Thompson, Tucker and Wratten (18). *Nays:* Mr. Howard (1).

The Preamble, Title and Bill were called and adopted on a similiar division.

The Chairman was instructed to report the Bill to the House without amendment.

At 10.55 a.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

TUESDAY, August 5, 1958
10:00 a.m.

The CHAIRMAN: Gentlemen, I see a quorum. We have before us again this morning Bill S-6, an act respecting Trans Mountain Oil Pipe Line Company.

Mr. HOWARD: On a point of order—

The CHAIRMAN: During the course of our last meeting I asked for a show of hands on whether clause 1 should carry—

Mr. HOWARD: Mr. Chairman, I should like to deal with a point of order.

The CHAIRMAN: Let me make my introduction on this and then we will have the point of order.

I asked for a show of hands on whether clause 1 should carry or whether we should have further discussion on the clause. Unfortunately I did not make this as clear as I might have and some members interpreted the negative vote as one which had the effect of killing the clause. I discussed this matter thoroughly with Mr. Raymond, Clerk of the House; Doctor Ollivier, the law clerk; and Mr. Arsenault, chief of the committees branch; all of whom have had a great deal of experience in these matters. I am advised that as the committee has already adopted the preamble of the bill which reads:

> Whereas Trans Mountain Oil Pipe Line Company has by its petition prayed that it be enacted as hereafter set forth, and it is expedient to grant the prayer of the petition: therefore Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

it has already approved the principle of the bill, and it would be negating this action by killing the only operating clause of the bill.

It is, of course, possible to amend the clause or by unanimous consent to reopen the preamble and decide that it has not been proven.

Now, if the committee is agreeable, we will continue with the consideration of clause 1.

Mr. HOWARD: Mr. Chairman, you may have guessed what the point of order was all about. I appreciate your introductory remarks, but I still do not think they overcome that which happened the other day. I do not think we have any right to proceed with the consideration of the bill at the present time, in view of the fact that the vote as indicated on page 231 shows there were six in favour and eight against, which was a vote on the question which you posed, namely,

"Shall clause 1 carry?"

and not as you just indicated,

"Shall clause 1 carry or shall there be further discussions?"

There is no reference to "or shall there be further discussions" in the question which you quote.

You asked for a show of hands and the clerk has indicated as having said "six in favour, eight against" which, as you recall, was the vote that was taken. It is my position that eight members of the committee voted against clause 1 and six voted for it, thus defeating it and that is the end of the matter.

Your question of having dealt with the preamble first and thus in effect endorsing the principle itself, giving no alternative but to carry on and further deal with clause 1, has no validity either because, as you know, the preamble of a private bill in committee is considered in effect the same as a bill being dealt with on second reading in the house, even though it may not be proved in committee. Having dealt with the preamble, it does not override the right of the committee at a later stage in dealing with the clause to defeat it. My point of order inasmuch as it has been defeated eight to six, is that we have no right further to proceed, unless by unanimous consent of the committee, to deal further with clause 1.

The CHAIRMAN: As I mentioned, I have consulted with the highest authority on committee procedures in the house and they agreed that everything was in order. And another thing I might say is that if there were any objections to the proceedings of the last meeting they should have been taken up at that time and not at this meeting.

I believe it was last week in the House of Commons someone objected to a certain—I have not got the article here—but you will remember yourself that they brought the matter up and the speaker himself said that if there were any objections they should have been brought up immediately after.

Mr. HOWARD: And they were.

The CHAIRMAN: Well evidently they were not because that is what he said.

Mr. DRYSDALE: Mr. Chairman, speaking on the point of order, in Beauchesne's Parliamentary Rules and Forms at page 354 he states,

> All questions before committees in private bills are decided by a majority of voices, including the voice of the chairman; and whenever the voices are equal, the chairman has a second or casting vote.

Section 491, on the same page states:

> The names of the members attending each committee are entered by the committee clerk in the minutes; and when a division takes place, the clerk takes down the names of the members, distinguishing on which side of the question they respectively vote; and such lists are to be given in, with the report, to the house.

Well, Mr. Chairman, I would suggest that the vote as referred to at page 331 was a nullity because there was no provision and no recording of the names.

Mr. REGIER: Mr. Chairman, I would like to speak on the point of order raised.

First of all, the member for Burnaby-Richmond claims the vote was a nullity. May I say that precedence establishes our rules and it has long been accepted, despite what has appeared in the rules—and it has always been in the rules—that the chairman decides on the voice vote. If there is anyone calling for a show of hands, the show of hands has been the deciding factor. This has been the practice over many years in committee meetings of this house. Further than that, when the decision of the chairman and the show of hands was in doubt then there was a recorded vote taken.

Now on the other point you raised, that there was no questioning of the validity of carrying on the other day, I would point out at page 231 where Mr. Chown asked:

> "Does the vote on clause 1 settle the matter or is it to go on indefinitely?"

I do not know, of course, what was in the back of his mind but it indicates to me that he had some doubt as to whether the committee was entitled to proceed with a further discussion of the bill, and I think he puts it very neatly when he says:

"or is it to go on indefinitely?"

The committee cannot proceed. And it is one of my contentions they cannot reverse this decision in the same consideration of the same bill. That would make Mr. Chown's comment so much more important, because the only alternative would be that discussions go on indefinitely—because that would be the only solution. And Mr. Howe follows this up with the comment,

"We should now adjourn."

Mr. SMITH (*Calgary South*): May I point out, Mr. Chairman—

The CHAIRMAN: Mr. Arthur Smith, Calgary.

Mr. SMITH (*Calgary South*): You are quite right, but obviously you have left out the chairman's comment in between, where he says:

"I asked our clerk if we could go on and he said yes."

And then Mr. Howe said:

"We should now adjourn."

That should be pointed out.

Mr. REGIER: Then, Mr. Chairman, the remark has been made that the preamble has already been proven, and that therefore the principle of the bill has been endorsed.

I contend that when the preamble has been proven the principle of the bill has not been endorsed. From my reading of May, thirteenth edition, when we endorse the preamble all we are saying is that we are satisfied that all the requirements of the bill appearing before us have been complied with, and that it is now fit and proper for us to proceed with consideration of the operative parts of the bill.

So far as my inquiry serves me, it is usually taken that clause 1 is the endorsation or otherwise of the principle of the bill.

I fail to see how, other than by the house taking action to recommit the bill—and there are many, many references to the house recommitting a bill to a committee—I feel that that is the only course open to us. We have in May, thirteenth edition, at page 478, the following sentence:

> Every question is determined in a select committee in the same manner as in the house to which it belongs.

And further, at page 768 of May, thirteenth edition:

> All questions before committees on private bills are decided by a majority of voices, including the voice of the chairman; and whenever the voices are equal, the chairman has a second or casting vote.

And at page 792 in May, thirteenth edition:

> It has been ruled that when a committee have resolved that the preamble of a private bill has not been proved, and ordered the chairman to report, it is not competent for them to reconsider and reverse their decision, but that the bill should be recommitted for that purpose.

I maintain that if this applies to the preamble, and if the committee is not competent to reconsider and reverse its decision, they are no more competent to reconsider and to reverse their decision after having passed a vote on clause 1.

It is for these reasons I maintain that this committee has no authority to proceed, and that it must report to the house. Then, if the house so desires, it has it within its power to recommit the bill to this committee.

Mr. DRYSDALE: Speaking to what Mr. Regier has to say with regard to precedent; there may have previously been a certain laxity in committees as to the way of votes being carried by a show of hands. Nevertheless the true method of voting on division and recording the vote, as to how the vote has gone, is shown in Beauchesne, to which reference has already been made.

In addition, Mr. Chairman, I feel that it was not the intention of the committee at the time to vote as to how it would consider the bill over-all. I support the proposition referred to in Beauchesne at page 357, where in paragraph 501 we find this:

> When counsel are addressing the committee, or while witnesses are under examination, the committee room is an open court; but when the committee are about to deliberate, all the counsel, agents, witnesses and strangers are ordered to withdraw, and the committee sit with closed doors. When they have decided any question, the doors are again opened, and the chairman acquaints the parties with the determination of the committee, if it concerns them.

I suggest that if we had been taking the type of vote that Mr. Howard and Mr. Regier are suggesting that we were taking, we would have asked the members of Trans Mountain Pipe Line to have left the room, and we would have had our deliberations, and then have had the vote. I suggest, with respect, as I pointed out earlier, that the original vote was a nullity, so far as Mr. Regier's and Mr. Howard's contention is concerned.

The CHAIRMAN: Are there any others who wish to speak to the point of order?

Mr. HOWARD: Following what Mr. Drysdale has said, that everything in this committee with respect to private bills is a nullity—because that is precisely the manner in which proceedings have been held—unless the committee decided that for some particular reason it wished to meet in camera, I suggest that what he has said is not correct. We dealt with two or three bills the other day in the committee, one having to do with the Ogdensburg bridge, and another one with respect to the Algoma and Hudsons Bay Railway, and these were voted on, in respect of their various clauses, as this one was. So, then, in effect, in principle, the vote was inconsequential and did not count on them.

I submit that, regardless of any attempt made to misinterpret what the committee did, the record is clear that there were six who voted in favour of clause 1 and eight who voted against it. I do not know, Mr. Chairman, if you were one of the six or one of the eight, or whether you voted—

The CHAIRMAN: I never mentioned my vote; and, Mr. Howard, I never mentioned the count that was taken. I never mentioned that, at all.

Mr. HOWARD: I did not say you did.

The CHAIRMAN: I know that.

Mr. HOWARD: That should be the end of the matter. Eight to six is quite obviously a vote negativing clause 1, and I say this committee has no right to proceed further. I submit that in my further remarks I probably was in error in suggesting that the chairman could only do it by unanimous consent. After listening to what Mr. Regier has said, in quoting from May, that is the only way we can deal with the question again—that is, to have the house recommit, and we should report accordingly to the house and let the house deal with the matter there.

Then, once they recommit the bill we are then in a position to deal with it. Until then we are not. We have no right to go further in the matter, in view of the vote as shown.

Mr. DRYSDALE: Replying to Mr. Howard, the only bill that we are looking at at the present time is the Trans Mountain Pipe Line Bill; and there is no possibility—

Mr. HOWARD: We are not looking at that bill, either. We are dealing with a point of order.

Mr. DRYSDALE: In connection with your contention, so far as precedent is concerned, I would not care if this practice has been applying for the last fifty years. If this is the first time it has been challenged, then I am at this particular point challenging it. It could have been wrong in the previous fifty years. But that does not affect the rules—simply because it was not ever challenged. I say at this time that I am challenging the correctness and the validity of the vote.

Mr. Regier's reference to May only substantiates the statement in Beauchesne, without any further explanation.

The chairman, at the bottom of page 231, in discussing the question of the vote says:

> "I asked our clerk if we could go on and he said yes".

Then Mr. Howe said:

> "We should now adjourn".

And then the chairman said:

> "No. I asked if it would carry and the answer was no because there were others who wanted to speak".

On the basis of the chairman's statement, and the fact that there was not a proper vote, according to the rules, I suggest that we continue on with this meeting.

The CHAIRMAN: Gentlemen,—I see that Mr. Regier wants to speak.

Mr. REGIER: I may add this further word, that I fail to see the logic, completely, of Mr. Drysdale's contention in challenging one vote, without challenging all the other bills that have been passed over the years in a similar manner.

Mr. DRYSDALE: Oh no, no.

Mr. REGIER: However, be that as it may, if he wishes to challenge that vote, then that challenge should have come on the day the vote was taken; because it is obvious that there are members here today who were not here on the earlier occasion when the vote was taken. Then there are many members who were here at that time who are not here today. Therefore it would be completely illogical to attempt to challenge a vote at a subsequent meeting.

Mr. DRYSDALE: Then you cannot challenge it now.

Mr. REGIER: I am not challenging; I am mentioning the fact that the vote was recorded. I can appreciate the comments of the chairman at the time. The chairman has to be guided in the emergency of the situation by the advice of the members or the Clerk of the committee. However that advice is not necessarily binding upon the committee.

The members of the committee—or at least some of them—expressed doubt. They did sit for a little while afterwards, but that does not necessarily mean that the advice of the Clerk was in accordance with the rules.

The CHAIRMAN: Mr. Regier, in regard to that point, I might point out that three of the members who voted No on the last occasion spoke to me afterwards, and indicated that they thought the No vote meant that they wanted to continue with the discussion.

After looking at this matter thoroughly, and discussing this question with the procedural experts in the house, I can only rule against the point of order.

Mr. HOWARD: I cannot hear you.

The CHAIRMAN: After looking into the matter thoroughly and discussing this question with the procedural experts of the House of Commons, I can only rule against the point of order.

Mr. HOWARD: Then, I would like to indicate my disagreement with your ruling, in asking that it be appealed.

The CHAIRMAN: That is all right, Mr. Howard. Then, gentlemen, shall my ruling be sustained?

Mr. HOWARD: No, no. I suggest that the only proper place to appeal this is to appeal it to the House of Commons.

The CHAIRMAN: We cannot appeal it to the House of Commons. It has to be appealed right here, in this committee. That is the ruling of Mr. Speaker Beaudoin.

Mr. HOWARD: Well, I submit that there is ample room for disagreement with that, in the reference that has been made to Beauchesne.

An hon. MEMBER: Where?

Mr. DRYSDALE: What is your authority?

Mr. HOWARD: That it should be appealed to the House of Commons. There are two paragraphs to which I should like to draw your attention particularly. One is citation 288, which has reference to committees.

I do not think it is necessary to deal with the entire citation of it here because some of it deals with quorums of the committees, and several members persisting in not attending, and so on.

The relevant part is, and I thank my learned friend from Calgary South for his suggesting that I refer to the relevant part:

> Committees are regarded as portions of the house and are governed for the most part in their proceedings by the same rules which prevail in the house.
>
> Every question is determined in a committee in the same manner as in the house to which it belongs.

Mr. DRYSDALE: It says, "in a committee," though.

Mr. HOWARD: Just a minute.

Paragraph No. 295 casts some doubt as to whether an appeal should be made to this committee, or to the House of Commons.

The point I wish to make in regard to paragraph 295 is, there are no standing orders respecting this matter as far as committees are concerned, and accordingly we are supposed to look for guidance to the rules in effect in the House of Commons of the United Kingdom.

The relevant part here, that seems to cast some doubt on what we are doing is the last sentence, which says:

> "It seems therefore that a reversal by the committee, of the chairman's ruling, would be ineffective."

Mr. DRYSDALE: That refers to the committee of the whole.

Mr. HOWARD: It seems, therefore, that the chairman's ruling in a standing committee would be ineffective.

Mr. DRYSDALE: The beginning of the paragraph does not say that.

Mr. HOWARD: The entire citation deals with committees.

> "No standing order provides for an appeal from the chairman of a standing committee or select committee—"

There are no standing orders which provide as to what should happen. It says that we have to look at the practice in the United Kingdom.

It seems, therefore, that a reversal by a committee of the chairman's ruling would be ineffective. It makes no reference to what kind of committee it is, whether it is a committee of the whole, a standing committee, or a special committee, it just says a committee.

If a reversal of your ruling is ineffective then what is the point of our even considering it if we cannot reverse it? If the committee cannot reverse your ruling, or if such a reversal is ineffective, what is the point of even considering it? That is the argument which I am submitting. If a committee cannot reverse your decision then there is no point for the committee to consider whether they should or should not reverse it, and the whole matter should go to the House of Commons for determination there. It is on that basis that I appeal your ruling.

Mr. DRYSDALE: Mr. Chairman, I do not think, according to Beauchesne's, we have to go back to the House of Commons.

Paragraph 295, which Mr. Howard has read very selectively, states:

> Under Standing order 12, the Speaker's decisions on points of order are subject to an appeal to the house and, under Standing order 59, sec. (4), the decisions of the chairman of a committee of the whole in questions of order are subject to an appeal, not to the committee itself, but to the house. No standing order provides for an appeal from the chairman of a standing or select committee; but it has sometimes happened in standing and select committees that appeals were taken from the chairman's decisions to the committee and even to the house itself.

I would suggest that although at some times it has happened, it is not necessary to go to the House of Commons.

Mr. Howard then referred to what was said about the committee of the whole.

I would suggest, Mr. Chairman, that we have the authority within this group itself to judge an appeal.

Mr. REGIER: On a point of order, Mr. Chairman. Let us imagine for one moment—

The CHAIRMAN: We have already ruled on the point of order, Mr. Regier.

Mr. REGIER: I am speaking on the question of whether or not this should be referred to the house, or a vote taken here.

If a vote were taken here and the ruling were sustained, what would our position then be? The committee would then agree to continue discussions, yet the committee is prevented from again taking a vote on clause 1 because that vote has clearly been taken. There are all kinds of references to show that a committee cannot reverse its own decision. A committee has no authority to reverse its own decision.

If we have made a decision on clause 1, the effect of sustaining the chairman's decision would be completely lost.

The CHAIRMAN: My ruling at that time was that the vote did not kill the bill. My ruling was that it was to continue discussions.

Mr. HOWARD: You made no ruling then.

The CHAIRMAN: I said at that time that we would continue a discussion of the bill.

Mr. REGIER: Are you denying the minutes?

Mr. CHAIRMAN: I am not denying the minutes, Mr. Regier, but I said myself that the bill would continue.

Mr. DRYSDALE: I might point out that Mr. Regier was not present at the time this matter was discussed, Mr. Chairman.

Mr. REGIER: Would you say that a bit louder?

The CHAIRMAN: Gentlemen, you have heard my ruling and you have heard the appeal.

Mr. HOWARD: My appeal of your ruling was that it should be appealed to the house.

The CHAIRMAN: Mr. Howard has said the appeal should be taken to the House of Commons.

Mr. HOWARD: Yes, and not to the committee.

The CHAIRMAN: Despite the fact that on July 24 of 1956 an appeal was taken to the House of Commons from the Standing Committee on Banking and Commerce and the Speaker of the House of Commons ruled that the chairman's ruling should be settled in the committee and not reported to the House of Commons. Therefore, I rule we cannot take it to the House of Commons.

Mr. HOWARD: I am not appealing your decision to this committee because I do not think this is the proper place to do so. I also consider we have no right to proceed with the bill except, as pointed out, if the House of Commons recommits the bill.

The CHAIRMAN: Mr. Howard is not appealing my ruling then. In that case we should carry on with our discussions of the bill.

Mr. HOWARD: I am appealing your ruling to the House of Commons, not to this committee.

The CHAIRMAN: It is impossible to do that, Mr. Howard.

Mr. HOWARD: Then do not put words into my mouth.

The CHAIRMAN: I am not putting words into your mouth.
Is it your pleasure, gentlemen, that we continue our discussion of this bill?

Mr. REGIER: Mr. Chairman, I must rise now on a question of privilege. I notice in the evidence at page 231 it says:

The CHAIRMAN: Shall clause 1 carry? We will have a show of hands.

The CLERK: Six in favour, eight against.

Yet in the minutes—this is my question of privilege—at page 180 it says:

> At one stage asked whether clause 1 carried. On a show of hands, the committee decided to continue the discussion.

These minutes, in my opinion, Mr. Chairman, are not in accord with the evidence. I feel that either the minutes or the evidence obviously is mistaken.

Mr. DRYSDALE: The minutes are based on the evidence so the evidence would stand.

The CHAIRMAN: The minutes are the official record of the committee.
Shall we continue our consideration of the bill?

Mr. REGIER: Mr. Chairman, the evidence clearly says that the evidence is: "Shall clause 1 carry?" Yet the minutes say that the committee decided to continue the discussion. There is no report in the minutes as to whether or not clause 1 did carry.

I maintain that if the minutes are to be accurate they must carry a report as to whether or not clause 1 carried, because that obviously is the way you put it, "Shall clause 1 carry?"

Mr. DRYSDALE: Obviously clause 1 did not carry. We decided to continue our discussion.

The CHAIRMAN: The minutes are the official record and they show that we decided to continue with the discussion.

Shall we continue with the discussion now, gentlemen?

Mr. HOWARD: No.

Mr. REGIER: No.

The CHAIRMAN: We have two objections.

Mr. DRYSDALE: I think we should have a division.

The CHAIRMAN: Do you wish a division at this point?

Mr. HOWARD: On what?

The CHAIRMAN: As to whether we should proceed or not.

Mr. HOWARD: That has already been decided.

The CHAIRMAN: Then we will proceed.

Mr. HOWARD: It has been decided by the evidence here that we shall not proceed.

"Clause 1,—

The CHAIRMAN: Gentlemen, would you like the witnesses to come to the platform?

Mr. DRYSDALE: Yes, Mr. Chairman.

Mr. HOWARD: Although you have indicated that the committee is now ready to deal with this question, because of your ruling, because it was decided in the negative before, I for one, while I have had a number of questions in the back of my mind, feel I have no right to consider this clause. I will sit here and listen to the considerations but I refuse to participate in any consideration of the clause.

I want to make that clear to you, sir.

The CHAIRMAN: That will be noted in the minutes, Mr. Howard.

Mr. SMITH (*Calgary South*): Mr. Chairman, I assume that we have now disposed of the question of the appeal and the point of order. I think we should proceed with our consideration of clause 1 and find out if there are any other points that did not come out of the evidence. I would suggest, sir, that we have had a rather complete examination of the witnesses during the initial visit here, and I suggest that we now proceed to clause 1.

The CHAIRMAN: Mr. Smith, before we move to that I would like Mr. Broome, who sponsored this bill, but who was unable to be here because he was in Rio de Janeiro last week, to say something regarding this bill.

Mr. DRYSDALE: You better mention that he was there on business.

The CHAIRMAN: Yes, Mr. Broome was in Rio de Janeiro on parliamentary business.

Mr. HOWARD: I cannot hear back here.

The CHAIRMAN: Could you come up here, Mr. Howard? I would like to see you up here. There are two nice seats up here.

Mr. REGIER: Mr. Chairman, I find that I cannot participate in a meeting which is not in accordance with our practices and our rules of order.

The CHAIRMAN: It is just too bad, Mr. Regier, that you were not here at the meeting at which this was decided.

Mr. HOWARD: I was here, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. HOWARD: I do feel that I cannot participate in any considerations by this committee of this bill.

Mr. BROOME: I wish Mr. Howard would remain for two minutes.

Mr. SMITH (*Calgary South*): He is somewhat undecided.

Mr. HOWARD: I would like to, Mr. Broome, as I would do almost anything for you, but I cannot consider something which has already been decided in the negative.

Mr. BROOME: Mr. Chairman, I would like to point out before Mr. Howard leaves that Mr. Howard participated in a sitting which he believes to be illegal. Mr. Howard moved, seconded by Mr. Campbell that the committee adjourn and meet at the call of the chair. This to my mind indicates that in all of these proceedings Mr. Howard has taken the same stand that other members of the committee took here.

I read these minutes over very, very carefully, and the question was simply one as to whether a further discussion was required, or whether the committee was ready to vote.

Mr. SMITH (*Calgary South*): I suggest we proceed, sir.

The CHAIRMAN: Yes.

Mr. BROOME: I do feel that it might be best to have the unanimous decision of this committee, as present, that they support you in this regard.

I believe the witnesses for the company would like to make a short statement in regard to a couple of points, Mr. Chairman, on which there seemed to be little bit of ambiguity at the last meeting.

As far as I myself am concerned, my association with the company has been an indirect one. I have no shares of the company whatsoever, and as Mr. Smith has pointed out in the minutes of the meeting, I have no axe to grind. I believe Trans Mountain Oil Pipe Line Company has done a tremendous job for western Canada by operating as a Canadian company in the interest of Canada.

In regard to the splitting of shares, I read the statements made by Mr. Pearce and I suggest that if I had been a member of the committee I would have taken a lot of those statements with a grain of salt because, the stock being so closely held, a person who is in the stock business can make a lot of money because of the leverage a block of stock can exert on the price of the stock, having in mind the manner in which stock fluctuates.

At the time of the Suez crisis I was intimately connected with the company as a result of working for an engineering contract firm. The company at that time was faced with the problem of immediately increasing its capacity to a marked extent. The commitments in regard to increasing the capacity would run into millions of dollars. The company at that time had the money in order to do it.

As I read the statement made by the company officials, they are asking parliament for the flexibility in regard to their capital structure which will allow them to raise money on the open market very quickly if it is needed. There will be no diminishing of the equity of any shareholder. Each shareholder will hold the same equity after the split has been made as they held before the split.

This split simply enables the company to run its own affairs and, on the advice of the financial people, they will be able to offer stock to the market in such a form that it can be taken up quite rapidly right across the country.

The history of previous stock splits of this nature prove that a stock split broadens the base of ownership in regard to the number of participating stockholders.

The point raised in regard to the company being associated with these major oil companies; that they would have no reason to go to the open market for funds, is something which I cannot agree with, because the financial commitments of these oil companies at that time would not be known.

All this company wants is to be able to stand on its own feet and operate without having to ask three or four oil companies for their support in regard

to an expansion. If the company feels that it needs an expansion in order to serve the people—those people they serve include not only the major oil companies, but independent companies as well by carrying crude from the producing fields to the markets—and the company requires extra capital in order to increase the capacity for carrying this crude then the company should be able to operate as an independent company rather than as an adjunct of some of the major oil companies.

In fact, in the United States, the whole trend has been to try and keep pipe line companies away from the control of major oil companies.

This company I believe has, through plan, followed a course which will allow them to be independent of these major oil companies. These major oil companies will be connected for the length of time that they have guaranteed the bonds. The building of the pipe line was only made possible as a result of these major oil companies guaranteeing these bonds. This was a highly risky enterprise.

I can assure the members of this committee that this is a measure which will be of value to the stockholders. This was proven by the fact that at the special meeting which was called there was only one stockholder who had anything adverse to say in regard to this stock split. On reading through the minutes later on it appeared that that stockholder was under a certain misapprehension.

The stockholders have approved this measure. If this company had not been incorporated under dominion charter it would be able to split its stock at any time at all. You can see how long it has taken to try to get the stock split through here.

The company just wants to be prepared so that they have the flexibility of operation when and if they need it.

The CHAIRMAN: Thank you Mr. Broome.

Do you wish to ask any questions of these gentlemen?

Mr. DRYSDALE: One of the officials of this company was going to make a short statement in order to clarify something.

The CHAIRMAN: Is it the general wish of the members of the committee that we hear this short statement?

Some hon. MEMBERS: Agreed.

Mr. J. A. RENWICK (*Solicitor for the Trans Mountain Oil Pipe Line Company*): Mr. Chairman and members of the committee, appearing with me this morning in addition to the gentlemen who were with me a week ago, are Mr. I. G. Wahn, who is director and general counsel for Trans Mountain Oil Pipe Line Company, and Mr. J. Langdon, who is from McLeod, Young, Weir and Company Limited. With your permission, Mr. Chairman, I would like to ask Mr. Wahn to make a short statement.

The CHAIRMAN: Mr. Wahn, would you like to come up here, please?

Mr. I. G. WAHN (*Director and General Counsel for the Trans Moutain Oil Pipe Line Company*): Mr. Chairman and committee members I realize, as has been mentioned, that this statement should be short. It will be short.

I welcome the opportunity of being here. However, I regret that I missed the very interesting discussion which took place last Tuesday. However, I have read the transcript.

I particularly welcome the opportunity of saying just a few words because of the adverse publicity appearing in the press in recent months with regard to pipe lines.

I would like to emphasize that of all that adverse publicity none of it has related to oil pipe lines, and it specifically did not relate to Trans Mountain Oil Pipe Line.

Fortunately a study has been made recently sponsored by the Merrill foundation for the advancement of financial knowledge in regard to pipe lines on this continent. That study indicates that Canadian oil pipe lines represent the best that could be expected in the way of financing and construction. Specifically, Trans Mountain Oil Pipe Line is almost an ideal example of this type of oil pipe line company.

Extracts from that study appear in the submission made by the Trans Mountain Oil Pipe Line Company to the royal commission on energy, copies of which have been given to you.

When the company was first formed, according to policy, it was decided that it should be a Canadian enterprise and that there should be Canadian participation. It has been pointed out that the major oil companies now own approximately 30-odd per cent of the outstanding shares only.

At the very beginning it was also decided that the employees of this company should be Canadians. It would have been easy to import technicians from the United States and other countries. A training policy was established at great expense, and at the present time its employees are Canadians. Our relations with our employees are good.

At various times, various motives have been suggested for this stock split. Responsible officers of the company have given you the reasons. I can merely repeat those reasons: that we have been advised by reputable financial advisers that a stock split would make for wider participation. We are in favour of wider participation in the company. It would also facilitate future financing, when future financing becomes desirable. We are confident that this pipe line, although now operating at a fraction of its capacity, is a vital link between the oil fields of Alberta and the markets for oil on the west coast, and in the future we may again have to increase our capacity. We cannot tell when this will happen, but we have confidence that it will happen. We may then need to be in a position to do future financing. We would like to have the stock split so as to give us the greatest possible flexibility in making these financial arrangements when the time comes.

Mr. Langdon of McLeod, Young and Weir Company is here. His firm along with that of Wood, Gundy, these firms being our financial advisers, have indicated that a stock split would be in accordance with sound business practice and in the interests of the company and of the shareholders.

Thank you.

The CHAIRMAN: Thank you very much, Mr. Wahn.

Mr. DRYSDALE: I notice that you are a director of the company, Mr. Wahn. How many shares do you have?

Mr. WAHN: I have 102 shares.

Mr. DRYSDALE: Do you know the shareholdings of the other directors?

Mr. WAHN: Mr. McQuarrie, the secretary, has that record.

Mr. DRYSDALE: You made mention of a wider participation by means of the splitting of the stock, in your explanatory notes, and you said that you hoped it would bring wider participation of the company's shares among investors in Canada.

I suggest that neither you nor the investment houses know whether or not it would.

Mr. WAHN: The investment houses have expressed the belief that it will do so, based on the experience of previous stock splits—that it will increase the number of shareholders.

Mr. DRYSDALE: The number of Canadian shareholders?

Mr. WAHN: I do not know if they dealt with it from that standpoint, but that it would increase the number. I presume it would include both Canadian as well as non-Canadian shareholders.

Mr. DRYSDALE: You said that you required the stock split. Why not have it two or three years from now?

Mr. WAHN: I cannot tell you as of this moment when we shall have to do additional financing.

As you will all realize, conditions change very quickly in the oil industry. We realized that very painfully a year ago when Trans Mountain was in the position of operating at capacity. But had we had greater capacity at the time of the Suez crisis, we could have used it.

It is only a year since that time, yet we are operating at only about one third of our capacity. But that situation could change just as rapidly the other way.

We consider it would be most important for Trans Mountain always to be in a position so that it is in advance of requirements in the way of capacity rather than behind them.

It would put us in a very awkward position if we could not transport the oil offered to us. Therefore, even at great expense, we must try to enlarge our capacity in advance of the demand and we must be prepared to move quickly when we see the demand building up. The situation could change quickly if the Middle Eastern crisis developed further within the next six months.

Mr. DRYSDALE: There are approximately 3½ million shares, and they sold from approximately $58 up to about $140.

You are producing today at only one third of your capacity. You produce 250,000 barrels a day. But if you increased today up to, let us say, 600,000 barrels, the increase would cost approximately $200 million.

Very simply put, if there was an urgency, I assume the stock of Trans Mountain would go up in price. Your investment houses recognize that the treasury should not be completely denuded. I would suggest, taking the value of 100 for your shares, even if the expansion were necessary, you would get 200 million through the issue of about—you have about 1½ million shares in Trans Mountain issued at the present time?

Mr. WAHN: Yes.

Mr. DRYSDALE: Without the necessity for a stock split; so why should there be a problem about future financing?

In addition, your supply of oil comes from about five or six sources, very large companies which would be giving you the business and which I assume would be quite anxious to sell their products, and which could assist you with any interim problems.

Therefore, why can you not come to parliament and say: this is what we propose to do?

Mr. WAHN: I think the answer to your question is that it is difficult to judge the length of time it takes to get a stock split bill through parliament. In the case of a pipe line company, it might take a considerable time.

On the other hand, I cannot say to you that it would be impossible for us to raise the money in the required amount if a stock split does not go through. I cannot say it would be impossible. What I do say is that we feel it would be advantageous in the interests of the company and the shareholders and to the country if the company were put in a position where it could offer its shares at a lower unit price. That would facilitate future financing.

We cannot say, for example, whether any future financing would be done entirely by means of issuing stock, or issuing stock warrants or rights, or whether it would take the form of issuing part debentures and part stock.

I think you have made a very good point. If future financing becomes desirable, it will very probably be because we are utilizing our capacity to its limits and therefore our stock would be highly priced.

Our financial advisers have told us that it is sound practice to do financing with smaller units rather than with units which might be as large as $145, as our shares were a year ago.

Mr. DRYSDALE: According to Mr. Morrison, at page 190 of his statement, he suggests with a capacity of 600,000 barrels a day—he says that you have intimation of the use which is going to be made of your pipe line by 1962, 1963, or 1964. That seems to be a considerable time away. I cannot see why if you have a more definite idea of what you are going to do, why you need a split at this time aside from the very evanescent statement, that you are out to make quite a bit of profit, on behalf of Canadians. But I think the time when it would have been of more assistance to Canadians would have been when you originally issued the stock at $10 per share, when a lot of people would have been quite anxious to participate in it, but had great difficulty in doing so.

Mr. WAHN: At the time of the original stock issue, every effort was made to get as wide a distribution of the shares as possible that were issued.

Mr. SMITH (*Calgary South*): There are other factors which are relevant to Mr. Drysdale's question. First of all, these are the effective costs which have spiralled in construction of the right of way. Admittedly in many instances, the loop would be laid in the same ditch.

But the estimated cost of construction today may not be too closely related to the cost which you anticipate and it would, to a degree, be reflected eventually in the overall cost, and the eventual movement of 600,000 barrels.

I think there are other aspects too, and I would ask the witness if he would concur in some of the bitter experience we learned, and that is that the time you wish to go into the bond market in order to market securities is unfortunately not something that you can pick or choose, because of the fluctuations within the financial markets themselves.

I think a third point is that regardless of the timing, the undertaking that you are going to have to make to your shareholders is that you remain in sound financial position, keeping in mind what you have yet ahead of you to do, and the possibility of increasing your costs and at the same time the difficulty which any bond man knows, in trying to market 100 at a unit which will, in itself, divide your purchasing position.

That is the combination of factors which I suggest you are concerned in meeting in your application.

Mr. WAHN: I agree.

Mr. DRYSDALE: May I read an excerpt from the Harvard Business Review entitled "Stock splits in a bull market" by C. Austin Barker.

On page 73 they take up two situations: first, where there is a stock split with dividends, and secondly, when there is a stock split without dividends.

Under these circumstances, from what I can gather, there is no dividend contemplated.

They refer to an exhibit which is contained in the report which is not necessarily for us to refer to. But they say this:

> Exhibit II, on the other hand, shows what happens when a stock split alone is offered, without any dividend increase. As was true in 1951-53, this situation brought about a slight initial gain in stock price. For 1954-55 it averaged 5 per cent as opposed to 6 per cent in the earlier period. A significant difference occurs, however, in the six month period after the split. Instead of merely sinking to the general market level, as before, prices dropped 8 per cent below this level.

The point which worries me is that he contends there is going to be a drop when the shares are split. But there has been no indication to my mind as to the necessity for a split at this particular point.

Perhaps I might mention one further quotation at page 76 ibid, which says:

> Perhaps the most puzzling aspect involved in appraising the impact of stock splits on market price is that presented by the so-called 'broadened base of ownership' theory. It has been argued that a wider market exists for stocks after a split-up, that this implies greater demand, and that greater demand in turn drives up market price in relation to cash dividends per share. Whether this is true may be hard to determine with any certainty; my own opinion is that it is false.
>
> So long as professional investors furnish the 'marginal demand' which determines the stock price, that price will depend on the present value of estimated future earnings and dividends in relation to inherent risk. To professional investors the question of whether or not there has been a stock split is more or less a matter of indifference. A high dollar value per share does not deter them from making purchases; cutting the stock into two or more parts does not make it more attractive. In so far as prices reflect professional investor opinions, they are not responsive to stock splits.

And one more quotation at page 77 ibid:

> Before leaving the topic of broadening the ownership base, it seems well to raise a question as to whether some companies do not exaggerate the importance of this. Many seem to fear that a narrow base thins the demand and thus causes stock to become more vulnerable in price if large quantities are offered for sale. To what extent is this actually true? The answer has not been established conclusively. Perhaps of more significance to management is the fact that the purchase of large amounts of stocks by mutual funds and other institutional investors has helped supply, through indirect ownership, the vast amounts of new equity capital needed for postwar expansion.

The difficulty I have on the basis of the statements that are made to the professional investor is that the stock split does not make any difference.

There is no indication of when you are going to finance, or if you are going to finance in 1962, 1963 or 1964. And the difficulty I still feel throughout all these proceedings is that it would be possible for you to enter into an agreement with the underwriters setting out a basis upon which you propose to finance, with the one contingency that it receive the approval of parliament.

At the present time you talk about the past which does not seem too strong according to certain authorities, and you say you want flexibility for future financing, although you have some 3½ million shares which apparently could be disposed of quite easily to the professional investors, because you would be wanting to dispose of sizeable chunks. The amount per share is not a large factor at all, but the future earning power would be.

The only time they would require that increase would be in the case perhaps of a sudden emergency. If all supplies were cut off from the Middle East, then the shares of this company could be sold at a profit. I do not think there would be any doubt about that.

Mr. WAHN: Of course the treasurer of the company or Mr. Langdon, could speak with more authority than I can in regard to the effect of a stock split.

There has been read into the record a letter which we received from McLeod, Young, Weir and Company and from Wood Gundy, to the effect

that a stock split—or suggesting that the effect of a stock split—would be advantageous under the circumstances, and that it would probably increase the number of our shareholders.

Mr. Langdon of McLeod, Young, Weir and Company might speak to that point.

Mr. DRYSDALE: I would be interested to hear from Mr. Langdon.

Mr. HORNER (*Jasper-Edson*): I would like to make two comments. First of all I would like to correct the evidence at page 216 where I asked about the shares of the company. It should read: "Could not buy them", instead of "Should not buy them", because I am sure they were not available to the general public.

Secondly, I think that the idea that the splitting of shares is going to broaden the base is a fallacy. I think its effect would be only to increase the equity which people are able to buy. You are not increasing the base at all. All you are doing is to split the equity, but you are not increasing it.

I agree with Mr. Drysdale. Why is the stock split required at this time?

If you are going to split stock and put your bonds and shares on the market, then all very well, I could see where some Canadians would have a chance to share in this company. But if you are going to split the stock and not put any shares on the market, how are you going to do it?

To my way of thinking you are going to create a market for a substantial number of shares. They are going to be of a lower price, but there is only going to be a certain amount of shares, and for this reason those shares will go up in price, especially if the Middle East situation should become more critical. They would go away up.

Who will make a great deal of money?

It would appear to me that the major oil companies will stand to make more than the $25 million which they have already made from the shares they have received.

For these reasons I would make one more comment for the record. I voted against clause one originally on the basis of the chairman's argument that we required further explanation and further witnesses. I want to put that on the record.

I do not agree with the argument that a share splitting is going to broaden the base. I think it is a fallacy. I am not convinced that it will increase the base.

Mr. SMITH (*Calgary South*): I question this. I do not believe that any bond dealer would agree to a contract to underwrite this company on terms which include as a condition the granting of authority by parliament under this bill. It is simply that!

The CHAIRMAN: Let us hear from Mr. Langdon of McLeod, Young, Weir and Company.

Mr. J. E. LANGDON (*Vice-President, McLeod, Young, Weir and Company Limited*): May I have that question again?

Mr. SMITH (*Calgary South*): Mr. Drysdale suggested that one way of meeting the difficulty would be to have the company negotiate a deal with the underwriters but conditional upon parliament eventually granting the request which is contained in this bill. Is that not really a condition in the underwriting?

Mr. LANGDON: I think that is putting it a little mildly. There are two or three things to consider. One is that the company would undertake financing because it needs the money for expansion. It would not go to the underwriters and say: we want to issue some stock, but subject to our act being passed by parliament which might take around six months to a year.

You could not sell stock on that basis. Furthermore, we would not underwrite on that basis.

Secondly, the company will not get the money for expansion if it tries to finance on the basis that they would get approval from parliament to a stock splitting.

Mr. DRYSDALE: I refer to the "Canada Corporation Manual" in which they have some precedents gathered from underwriting agreements with respect to the issue of the shares of a company—I do not know the nature of the clauses or the types of agreement involved; but on page 12 they have this to say:

(12) If there should occur on or prior to

(a) any catastrophe of international or national effect which in our opinion is adverse; or

(b) any strike, labour unrest, accident, government regulation or other occurrence of any nature whatsoever which, in our opinion, seriously affects or may seriously affect your business or this transaction; or

(c) any conditions or situations in the financial markets in Canada or elsewhere, including those occurring or subsequently occurring or arising which, in our opinion, would or might prejudicially affect the profitable marketing of the class 'A' and class 'B' shares or make it inadvisable or inexpedient to offer or continue to offer such class "A' and class 'B' shares for sale

we shall be entitled at our option to terminate all our obligations hereunder by giving you on or before said date notice to that effect.

These contingencies seem to be a little general and I fail to see the difficulty, that it would be impossible to include the contingency of approval of parliament; because I am sure you would have this type of clause in your underwriting agreement. I cannot see the difficulty suggested by Mr. Smith.

Mr. LANGDON: That is a very familiar paragraph to me. That goes into every underwriting letter. It is a set clause.

Mr. DRYSDALE: As far as your company would be concerned, they would have absolute protection; that is, if Trans Mountain came to you and you arranged the proposed agreement saying "contingent on approval of parliament".

Mr. LANGDON: I would not go as far as that in agreeing with you. I should give you a case history. Supposing Trans Mountain want to go ahead and enlarge the line, and to do as require $30 million or $40 million, I doubt if they would place firm contracts with the supply offices for pipes without knowing they had the money. Now we have an out-clause in our underwriting agreement, because we must have a legal piece of paper. If we go to sell these bonds to an institution they are not going to wait months for these securities without penalizing the company.

Mr. DRYSDALE: You do not know how many months they would take because the company has never come to parliament with a firm reason why they would require the split or the money as yet.

Mr. LANGDON: It is only an anticipation. I was going to add that with the out-clause, we also have another clause, which fixes our closing date. The clause you mentioned is one merely for protection in the event we have war or something like that, and we are unable to do any more financing. The other clause says on or before such a date we will close. And then there is a third clause which has reference to when we clear the securities and we are on the hook, so to speak. On that point the company issuing the securities

does not have to worry because the underwriter has agreed to buy them, and has to raise the money somehow and pay for them on the closing date. But we do not allow any longer period than we can, because we want to limit our liability. Normally there is a short period, two or three weeks, between the time we sign and our closing date.

Mr. DRYSDALE: There would be nothing to prevent you then if you knew this bill was going before parliament to enter into an underwriting agreement with the company and set a time limit of two or three months.

Mr. SMITH (*Calgary South*): This is not the experience we have had with the bill.

Mr. DRYSDALE: Because nothing has been proposed by the company which we could examine.

Mr. LANGDON: I do not know of any cases where any financing has been done on that basis.

Mr. PAYNE: My question has to do with exhibit 4—Trans Mountain Oil Pipe Line Company.

The CHAIRMAN: In the brief?

Mr. PAYNE: Exhibit 4 sets forth a certain number of share holdings as of March 27, 1958 and inasmuch as it indicates effective control of the company is held by American subsidiaries, I would like to refer to the explanatory note where it states this issue should encourage a wider distribution of the company's shares to Canadian investors. It is this matter of Canadian investors and equity stocks in Canadian companies that is of prime interest to me, because in reading clause 1 in the preamble certainly there is nothing indicated there which in any way protects the Canadian investor and assures that he has adequate opportunity to participate in one of the basic oil carriers of this country. I would like to have that subject enlarged upon. What undertakings, if any, are made on behalf of Trans Mountain to see that Canadian investors and equity holdings of this company remain to the limit possible in Canada. I do not see that assurance.

Mr. WAHN: Our answer to that is that the best assurance is what has in fact happened. At the inception of this undertaking the major oil companies guaranteed the bonds which provided most of the money, but as a matter of policy limited their own participation in equity and made equity available to independent oil companies in Alberta and to the general public; as shown in the exhibit, the participation in the equity by the major oil companies at the present time amounts to something like 30 per cent odd, I believe. That is a matter of deliberate policy in large measure, and I think that is the best answer I can give to the question.

Mr. PAYNE: But there is no assurance given in any way that this equity holding, if offered again for sale, would be in fact given as a preference to Canadian investors? There is nothing in the world to preclude your giving warrants against bonds and debentures in the future and going to the American market, as has been the case in so many corporate movements in the past.

Mr. RENWICK: Perhaps Mr. Langdon could outline this matter for you. The exact steps taken to ensure Canadian participation was to make available the original 450,000 shares which went to the public during the course of the marketing. The best steps taken were taken to ensure Canadian participation.

Mr. LANGDON: When we underwrote the common stock there were 450,000 shares and we were asked by the company to get as wide a distribution as possible. We made an offering to all members of the Investment Dealers Association right across the country and to all members of the recognized stock exchanges. At the same time we suggested to them—we did more

than that—and told them they had to limit the number of shares to each customer. Following the primary distribution we got reports from all the dealers showing the number of sales and the number of shares per customer. I believe that Mr. Taylor has that on file somewhere. I know we did return those forms to the company in regard to the distribution.

The CHAIRMAN: Gentlemen, are there any other questions?

Mr. PAYNE: This is still a matter of concern because in exhibit 3, Canadian shareholders are holding somewhat less than non-resident individuals and companies, and the greater amount is still held by what is listed as Canadian companies. In many cases they are, yes, but they are American controlled subsidiaries.

Mr. SMITH (*Calgary South*): Now just let us take that statement. I wonder if you have your list there so that we can clarify what is and what is not. It may not be important to the evidence. We are talking about exhibit 4. Is it not correct that a good number of these companies are Canadian companies as such, and as a matter of record? I would like also to say one thing which we have on many occasions inferred, Mr. Chairman, and that is that there is a substantial gain to be obtained by the guarantors, the deficiency payment holders, and that is essentially true. But I think we should look back at the history of this thing when there was no assurance that this would be a success some years ago, at the time when we had not too many people enthusiastic about entering into an agreement regarding an oil line. It is another thing to look back after we have had a success and say, "look at the money the people are going to make". One should remember the intestinal fortitude which it took to put money up in the first place to make this function. There is no suggestion that these people did recognize that a risk was involved when they put up money, but I think that is a factor which should be taken into consideration. My friend asked how many of these are Canadian. There is Canadian Oil and Edmonton—

Mr. DRYSDALE: One at a time please.

Mr. SMITH (*Calgary South*): The first four are American corporations.

The CHAIRMAN: Mr. Langdon, would you care to answer that question?

Mr. LANGDON: I may not know the answer in every case.

Mr. DRYSDALE: Would you please read the company and designate whether it is Canadian or American.

Mr. LANGDON: British American Oil Company—United States interests have a substantial holding; Imperial Oil—controlled in the United States; Richfield—controlled in the United States; Shell—probably controlled by the Royal Dutch Shell; Standard Oil of British Columbia—United States; Union—United States; Canadian Oil—Canadian; Bailey Selburn—Canadian; Calgary and Edmonton—probably Canadian; Calvan—at the time it was Canadian but now it is Belgium controlled; Central Leduc—Canadian; Del Rio—Canadian; Home Oil—Canadian; Hudson Bay—jointly controlled by Continental in the United States and Hudson Bay Company; National Petroleum—not certain; Pacific Petroleum—Canadian; Royalite—Canadian; Security Free Hold—not certain; Trans Empire—not certain; Triad—substantial English holdings.

Mr. DRYSDALE: The American companies have the majority of the shares?

Mr. LANGDON: In this group.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. DRYSDALE: I would like to ask Mr. Langdon what effect would the stock split have on the shares?

Mr. LANGDON: I think the new stock, that is the split stock, would probably sell higher.

Mr. DRYSDALE: Would you agree with the statement of this American, Mr. Barker, who stated that it would sell high but in six months there would be a probable levelling to a figure some 8 per cent lower?

Mr. LANGDON: That is a $64 question. On the basis of earnings Trans Mountain stock is not worth $58 because the earnings of the first half are 25 cents a share. The stock is selling high because of the general feeling that there was a terrific potential in this company, but the oil will eventually move from Alberta into British Columbia and down to district No. 5. At the moment, for various international reasons, the through-put into Washington is not as high as we would like to see it, but in the long run that actually is going to move through to the full capacity of that pipe line; and that is why they are buying it. They are buying it for the future.

Mr. SMITH (*Calgary South*): I wonder if there is not also another reason. Is it not also because of the reaction, mostly psychological, by Canadian investors toward pipe line shares as a whole? Can you think of one pipe line starting with Alberta and going through trans Canada, through Quebec, that has not reacted accordingly?

Mr. LANGDON: They have all followed the same pattern.

Mr. DRYSDALE: You say the stock has tremendous potential. In that case there would not be any difficulty in selling the treasury shares, then.

Mr. LANGDON: It depends on the market to which you are going to sell at the time.

Mr. DRYSDALE: That is the same for any stock; but if you are going to expand, then presumably you are going to expand for some reason. If it was a situation somewhat similar to the Suez crisis, or where the oil was cut off in the east, then I think the average investor would see it had great potentialities. Would you agree that you would not have any difficulty in selling the treasury stock, whether you sold it at $100 or $140?

Mr. LANGDON: No, it would not be as easy as that. It would be easier to sell at a lower price because you would have a larger number of people to sell the stock to.

Mr. DRYSDALE: But selling it at the higher price, you would have the investors with the larger amount of money who could produce a larger number of shares.

Mr. LANGDON: You are speaking of treasury stock now?

Mr. DRYSDALE: Yes. You have 3½ million treasury shares. Would you say under these circumstances there is no present intention of any financial expansion in order to reach an output? They are going up to perhaps 1962 or 1964 and according to the graphs which they had in their own exhibit as to the steps in the production which are projected up to 1976, do you generally under these situations recommend a stock split? The company has said throughout that they do not need any money now, but they do not know when they will need it. Their expansion is extended up to 1976, with a maximum expenditure by 1963 or 1964 of some $200 million which to my mind can be raised quite easily. Does your company usually recommend stock splits under these situations?

Mr. LANGDON: Let us say the stock is selling at $75 or $90 when we want to raise additional money. At that time we would recommend a stock split; today the company says we do not need any money, but we do not know when we are going to need it.

Mr. DRYSDALE: Today the company says we do not need any money at present but we do not know when we are going to need it; yet on their own evidence the peak period would be perhaps 1962 to 1964 and on the basis of the graphical projection it would be in 1976. Do you give a stock split for no reason other than allowing more Canadians to participate?

Mr. LANGDON: That is a theoretical question you are proposing and it is difficult to answer. Our recommendation would have to be based on conditions at the time the company wanted to finance.

Mr. DRYSDALE: Why are you recommending it now?

Mr. LANGDON: Because the Company would be in a better position if they would want to move quickly. If the market is right, it is desirable we move in within two or three weeks; otherwise the company may lose its opportunity.

Mr. DRYSDALE: Would not the sale of treasury stock in the interval, if the situation was that good, take care of the situation?

Mr. LANGDON: Let me answer it this way; if the company were to issue treasury stock tomorrow—

Mr. DRYSDALE: No.

Mr. LANGDON: You are asking me to look to the future.

Mr. DRYSDALE: You said they would want to move fast during favourable market conditions. If they move tomorrow at $58 a share and they are operating at one-third of their capacity, I would not say that is a favourable market condition. But if the oil supplies were cut off from the east and they started pumping their maximum barrels—250,000 a day—and wanted to go up to 600,000—at Suez they said they could go up to 450,000, which would mean a $100 million expansion. Under this set of circumstances where there is a favourable market, that looks like a good demand, could you not finance it from treasury stock?

Mr. LANGDON: Under those circumstances we could sell the treasury stock, but it would be rather costly.

Mr. DRYSDALE: Why?

Mr. LANGDON: We would have to sell it under the market. It would be in addition to our underwriting fee. It would also have the effect that the potential buyers for that stock would be professional buyers, people who can afford to carry that stock for years without any dividends or for a small dividend. We would not attract the small investor.

Mr. DRYSDALE: In connection with this attracting the small investor, the explanatory note—and I am sorry to be going around in circles—they encourage a wider distribution of the company's shares among investors in Canada. How do you propose to do that? It is estimated in your letter that there will be an increase in the shareholdings by some 10 per cent or 15 per cent. In your experience, could you give any estimate as to what proportion is likely to be Canadian and what proportion American?

Mr. LANGDON: I am afraid I could not give any estimate; you do not know. It depends on the individual investor, whether he wants to buy the stock or not. But the Trans Mountain stock at say $10, $11 or $12, would undoubtedly attract a large number of small buyers who would put the stock away.

Mr. DRYSDALE: Either Canadian or American.

Mr. LANGDON: I think more Canadian buyers rather than American buyers.

Mr. KEAYS: Before asking a question, I would like to make an observation. In listening to all these arguments in favour and against the stock split of Trans Mountain, it does not seem logical to me that a company, because it is formed by enactment of a law of the federal parliament, should be subject to troubles which other corporations do not have to undergo. The directors of the company are supposedly intelligent people. They are counselled by good financiers, and if they see fit to split the stock, I do not see why, other corporations which also protect the Canadian individual having been allowed to do so, that they should not be allowed to do so. It seems quite proper. We are living in a democracy and these people after all are Canadians and if they want a stock split I do not see why, or under what hidden reason, it should not be allowed.

My question is this: is there any intention whatsoever amongst the directors of Trans Mountain Oil Pipe Line Company to get the guarantors off the hook by the stock split?

Mr. WAHN: Mr. Chairman and gentlemen, I have attended, I think, practically all of the directors meetings of Trans Mountain since incorporation. I was one of the original incorporators, and I am now a director and general counsel. I have never heard any suggestion that the purpose of the stock split is to get the guarantors off the hook or off the guarantees. I do not believe that that is any part of the reason for the stock split.

Mr. HORNER (*Jasper-Edson*): I agree, if this was an ordinary corporation dealing with something else it would be quite fair; but this is a corporation dealing with a monopoly market, to all intents and purposes. It is actually classified as a public utility. All other utility companies in the various provinces have to make representation to the public utility commission and they have to present quite a lot more information than has been presented to us. I would like to ask Mr. Langdon one question. In respect of a desire on the part of the company to get a broadened base why were not an additional 1 million shares made available to the public of Canada at the original time?

Mr. LANGDON: I think that the answer is we did not need to issue more than that. The six or seven companies which backed this line incidentally did not guarantee the bonds. They put up a defficiency agreement that they would make good any losses in connection with the bonds. They did not want to put any more money into the line than they had to, because they had use for their own capital in their own ventures.

As a result of a round table discussion, if you like, we felt that with this defficiency guarantee we would be able to raise 80 per cent of the money by way of a debt and the other 20 per cent would come through common stock. The companies concerned said that at any time they would provide so much of the equity money at the same price that the public was paying for it. There is a distribution there of the shares. Even from the block offered to the independent oil companies, there were 450,000 shares left which we offered to the public at $10 a share, which was the same price that the sponsoring companies paid. You say, why did we not issue another 1 million shares. Simply because they had use of their own money elsewhere.

Mr. HORNER (*Jasper-Edson*): I mean issue the shares through the public, if they wanted a broadened base.

Mr. LANGDON: It was a better marketing operation, from the underwriter's point of view, to have the sponsorship of those companies which enabled us to market the 65 million of bonds at the time, and when we came to offer the stock it was put out as a speculative security at that time because there is no assurance that the company would complete the line. We kept it down to 20 per cent. That was all we needed at that time.

Mr. HORNER (*Jasper-Edson*): Why did you not have a larger capitalization at that time? I mean this bill says that you are going to do this to broaden your base. I do not think that is a true statement, because as you said before you are not going to issue any additional equity. It is the same equity spread out in smaller chunks, and if you wanted a broader base you could have done that originally.

Mr. LANGDON: I think that is the point which was made earlier in the discussion. It is a question of Canadian participation. If the company decided that they need additional capital and if it is possible to do it under the terms of the existing trust deed then they have to go through the capital stock route. Say that you issue stock to the shareholders by means of the rights, which would be the customary way, that would automatically bring about an increase in Canadian participation because the company would have to come

into consultation with the S.E.C., which is a long and expensive undertaking, and American shareholders cannot participate in those rights and they would have to sell them here. Also the United Kingdom shareholders could not buy stock in the form of rights because the Bank of England would not allow them to send the money out of the country. You would have those rights coming back to Canada and we would have to find a market for them here and we would have to see that they were sold.

Mr. DRYSDALE: Have any shares been sold or listed on any United States exchanges?

Mr. LANGDON: I would say no.

Mr. DRYSDALE: Since I have been carrying a fair amount of the questionning, I feel perhaps, as Mr. Keays alleged, that the company knew what it was doing and I do not doubt that we were in effect just a rubber stmp.

The CHAIRMAN: I do not think the words "rubber stamp" should be used.

Mr. DRYSDALE: I said "In effect a rubber stamp". He said that the company knew what it was doing with the stock split and here it comes to us and we should merely O.K. it.

I feel that the business of this committee is to investigate and look into the company policy. In other words, we should, as representatives of the citizens of Canada look into it. I am not trying to be altruistic but I think we should examine it in an effort to ascertain what is going on.

The difficulty which I have had during all the hours of this discussion is that I always come back to the point that I cannot understand why on earth they are doing this stock splitting, and what explanation was given to the shareholders as to what the purpose of the stock split is; or are we just going back for wider distribution among Canadian citizens and providing for the future financing of the company. If that is it, I suppose we might as well terminate it.

Mr. RENWICK: I would like to try to answer those questions which I know have been of concern to the committee, and also, I would like to attempt to answer Mr. Payne's question about Canadian participation.

The purposes of the bill are as stated in the explanatory note, one of them being to provide wider participation. In the initial financing of the company 450,000 shares went to the Canadian public and every effort was made at that time to ensure that the shares would be bought by the Canadian public, and when I say the Canadian public we have to exclude institutional buyers to a large measure. The insurance buyers are limited in taking up the shares of this company.

What the company wants to do is to interest the ordinary citizen throughout the country and to give him an opportunity to buy into the company at a price which he is in position to pay.

Mr. DRYSDALE: Why?

Mr. RENWICK: One of the ways which we think will assist that development is by a subdivision of the shares of the company. We cannot guarantee that there will be a wide participation from this, nor can we guarantee there will be a wider participation by Canadians, but we think there will be; it is our earnest hope that there will be. Certainly the experience indicates that as a result of a stock split a wider participation will result. We also think a wider participation by Canadians will result when they understand the position of this company; that it is a risk investment, but that on the other hand it is engaged in an effort to transport Alberta crude oil through to the available markets.

Now, on this question as to why we come now and why we do not wait, I think the only answers that we can make to that are that we want to be able

to issue shares if and when they are required to raise money. We want to be able to issue those shares at a price which will provide opportunity for individual Canadians to buy those shares. It does not seem to me to be appropriate to say, well we could issue the shares in a situation when the stock is around $100 a share or $140 a share, because I do not think so many people, whether they are anxious to or not, could participate as individuals in an investment in a company at that price. There is a further point which I would like to make which is involved from the company's point of view as distinct from its relationship with investment advisers, and that is that a company going to the market for funds is in the position of a person selling a commodity. The company has to get the best possible deal it can get in order to raise the largest amount of money from the available securities. If this company continues to be restricted in the sense that it can only issue shares at a high price, its ability is limited to bargain with investment dealers and those who will ultimately be the underwriters of the shares, or responsible for the placement of the shares. It limits the orbit within which the company, for Canadian purposes, can raise funds, and will provide only a stiffer bargaining position for those buying than in the initial instance.

If I may refer to the question of the company being a special act company and not a company incorporated in the regular way by letters patent, it seems to me that this company is subject to regulations to the extent that parliament has so far decreed it should be regulated. It is engaged only in performing a service. The tariffs which it charges are filed with the Board of Transport Commissioners. The permits for the construction and operation of the line came from the Board of Transport Commissioners, and they may declare it a common carrier any time that the Board of Transport Commissioners so decides. There is no suggestion on our part that the subdividing of the shares of the company is in any way attempt to withdraw from the control which the board has over the company. To revert to the prime reasons for the bill, they are only as stated. We think that this company will be in a better position to finance in that way and that it will be in a better position to provide individual Canadians with an opportunity to participate in the investment. There are no other reasons. We cannot give any other reasons. It does not seem to me that it is logical for us to be asked to state some other reason, because there is no other reason. What we are trying to do is to provide such wider participation, and I think that ties in with the whole course of the company's affairs. It is directly in order to provide a means whereby an ordinary Canadian individual can buy shares in this company.

The planning of financing is a matter which will depend to a large degree on the international situation and on the demand for the facilities of the company. It is just not practical for this company to have an underwriting arrangement conditional on the approval of parliament. The reason why I say it is not practical is that the time limit involved in such a condition might be anywhere from two months upwards, and presumably it might be as much as a year if parliament were not in session at the time that the underwriting agreement was entered into. We would like to be able to go to the market at the proper time.

Mr. PAYNE: In view of the remarks of Mr. Keays, I think, certainly in Ontario and the west and in every province there is either a superintendent of brokers or public utilities commissioner and when companies appear before those for recapitalization—and certainly a splitting of the capital stock of a

company represents an application for recapitalization—then the company must go before the superintendent of brokers or public utilities commissioner first. In other words, they must say what they wish to do. They outline the brokerage arrangements.

Certainly a number of western members in this committee feel that we have a duty to discharge. In my own particular case, I feel, from the evidence, that we are being asked to adjust the capital base of Trans Mountain Pipe Lines but that there is nothing firm given to us. They make statements to the effect that they wish to broaden the base to Canadian investors. I am not in any critical of the Trans Mountain Pipe Lines. I think it has been a commendable operation; but we have, in effect, been asked to sign a blank cheque to increase the over-all capitalization of the company without fulfillment whatsoever, nor are we given any assurance for the statement outlined in the explanatory note, that it is done to widen the distribution among Canadians, and I feel that there is no assurance which can in effect take place. I feel very deeply a responsibility to the people to see that Canadians are given at least a prior opportunity to take part in the development of our country. The 450,000 shares of Trans Mountain were ridiculously oversubscribed, and in effect a great many of the American controlled subsidiaries wound up in control of this company. I think that a prime point before this committee is a need to protect Canadians and to protect the future of their investment in the equity stock of this company. In saying so, I do not level any criticism against Trans-Mountain Pipe Lines. I think we have an obligation to see that the public are cared for properly.

Mr. DRYSDALE: Mr. Chairman, I would like to reiterate Mr. Payne's views and emphasize the fact that there is absolutely no criticism of the Trans-Mountain Oil Pipe Line Company or the directors or managers as individuals.

The thing which we have been critical of is the stock split and the explanatory note which is supposed to substantiate that stock split.

I feel now, after going over the many pages of transcript, that this is all the information we can obtain. This fact leaves a certain unsatisfactory feeling with me. I do not see any point in unnecessarily prolonging this, although I would like an answer to one specific question which I asked.

How many shares do each of the directors hold?

The CHAIRMAN: I believe Mr. McQuarrie can answer that question.

Mr. MCQUARRIE: I have a list here.

The CHAIRMAN: Could you come up here, Mr. McQuarrie, please?

Mr. J. H. MCQUARRIE (*Secretary, Trans Mountain Oil Pipe Line Company*): This list is taken from the last shareholders' registry as at March 27, 1958.

There are nine directors in the company; four of those directors own two shares each.

Mr. DRYSDALE: Could you just give us the names?

Mr. MCQUARRIE: Mr. R. B. Baker; D. E. Day; I. G. Wahn and D. B. Vale.

Mr. DRYSDALE: Does Mr. Wahn only own two shares?

Mr. MCQUARRIE: Yes.

Mr. DRYSDALE: I thought he said 102.

Mr. MCQUARRIE: He may have more now. These figures are as at March 27, 1958.

Mr. E. D. Loughney has five shares; J. W. Hamilton has 102 shares; D. M. Morrison has 150 shares; Mr. J. K. Jameison has 502 shares, and Mr. R. L. Bridges has 5,002 shares, making a total of 5,769 shares.

Mr. DRYSDALE: Thank you.

The CHAIRMAN: Gentlemen, if there is no further discussion which you feel is required with regard to this clause, I will put the question.

Shall the clause carry?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Shall the title carry?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Shall the bill carry?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Shall I report the bill without amendments?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Thank you gentlemen.

EVIDENCE

THURSDAY, August 7, 1958

The CHAIRMAN: Gentlemen, I see a quorum. This Bill S-6, an act respecting Trans Mountain Oil Pipe Line Company has been referred back to this committee. Therefore, we must start right at the beginning of the bill. We are now on the preamble. Will the preamble carry?

Mr. HOWARD: I just wondered, Mr. Chairman, in the light of comments which were made the other day with regard to which should have priority of consideration, the preamble or the clause, whether the point has been cleared up so we do not get into any hassle about what we are doing.

There was some indication that having dealt with the preamble we had endorsed the whole thing, and whether we should not have taken the clause first. It does not matter to me but I thought we should be clear.

The CHAIRMAN: It would have to be by motion from the floor that it be reversed, and that clause 1 be taken first. It has been the general rule all through the years that the preamble is always taken first and carried.

Mr. CREAGHAN: Well, Mr. Chairman, to bring the matter to a head I move, in dealing with this bill that we deal with the clause, then the preamble and then the bill.

The CHAIRMAN: You have heard the motion by Mr. Creaghan, seconded by Mr. Tucker that clause 1 be taken before the preamble. Are you all agreed on that, gentlemen? Agreed—yes or no?

Mr. MCPHILLIPS: I do not agree with it, Mr. Chairman.

Mr. NIXON: Mr. Chairman, I do not see any particular reason, but I will not vote against it. I do not see any particular reason why we should vote on it.

The CHAIRMAN: As I said the other day, I am absolutely in the hands of the committee, and, remember, I will have to put this up to the committee. Those in favour of the motion please put up their hands. How many against? There are two against. Are you all agreeable that this preamble will now stand and we are at clause 1 of the bill.

Any questions on clause 1 of the bill? Shall clause 1 of the bill carry?

Mr. HOWARD: I just wish to indicate that I do not think it should carry, that is all; and following what my friend Mr. Drysdale said the other day, in order to enter it in the record, if you want to name the members for and against, that would appear in the record on a division, as he suggested, and I think that is the way it should be done.

The CHAIRMAN: Gentlemen, it has been suggested by Mr. Howard that we take a count of the members and I think in a case of this kind, where there might be some doubt, I would suggest that the clerk take the names.

Mr. HOWARD: Mr. Chairman, before you do this I gather from reading the evidence of a week last Tuesday that one of the members of the committee —and I do not know whether he is here at this meeting or not, I have not looked—indicated that he had an interest in the company. I take it from that —I wonder whether that should not be made clear because a member who votes on a bill having an interest—

Mr. CHAIRMAN: Mr. Howard, let me speak on that. That was Mr. Gordon Chown, who said he had an interest in the company.

Mr. Gordon Chown phoned me this morning and said:

> As I have an interest in the company I will not be at the meeting this morning because I do not think it would be right for me to take part in the proceedings.

Mr. HOWARD: Well, I think that was more or less drawn to his attention. I wondered whether there were any other members in the same position.

The CHAIRMAN: If you wish that question put—

Mr. HOWARD: No, I just raise it, as it would have some effect.

The CHAIRMAN: I understood the other day, Mr. Howard, that no member of the committee, including the chairman, had any shares in the company. I have absolutely no interest in the company whatever and I do not think any of the members here today have any interest in the company.

Now, Mr. Howard, do you still want this division on clause 1?

Mr. HOWARD: If you please.

The CHAIRMAN: Shall clause 1 carry? All those in favour of clause 1 carrying please indicate, and I will name them all:

Mr. Drysdale; Mr. Crouse; Mr. Creaghan; Mr. Brassard (*Chicoutimi*); Mr. Bourbonnais; Mr. Pascoe; Mr. Hales; Mr. Howe; Mr. Brunsden; Mr. Payne; Mr. McDonald (*Hamilton South*): Mr. Wratten; Mr. McPhillips; Mr. Smith (*Calgary South*); Mr. Badanai; Mr. Nixon and Mr. Tucker.

Those against this clause carrying kindly indicate. Mr. Howard.

Clause 1 agreed to.

We are now on the preamble. Shall the preamble carry?

Agreed.

The CHAIRMAN: Any objection?

Mr. HOWARD: Yes, mine.

The CHAIRMAN: Do you want a recorded vote, Mr. Howard?

Mr. HOWARD: The same division taken.

The CHAIRMAN: You are satisfied with the same division?

Mr. HOWARD: I am satisfied that my vote will be the same.

The CHAIRMAN: Your vote is negative and all the others on the committee are for the preamble carrying?

Agreed.

Shall the title carry?

Agreed.

Shall the bill carry?

Agreed.

Mr. HOWARD: I think I will just say no as a matter of course.

The CHAIRMAN: Shall I report the bill?

Agreed.

The CHAIRMAN: Thank you, gentlemen.